

Message Text

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PAGE 01 TAIPEI 04115 090834Z

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 L-03 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 SSO-00 INRE-00 /044 W

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O 090726Z JUL 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC IMMEDIATE 5983

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DEPT PLEASE PASS USDA/FAS

EO 11652 NA

TAGS ETRD TW

SUBJECT: STATUS COTTON CONTRACTS

REF: STATE 160193

1. PRESENT SITUATION WITH RESPECT TO LETTER OF CREDIT
FOR PAST DUE CONTRACTED COTTON PROVIDED IN TELCON
BETWEEN AGATT AND KEN STEPHENS USDA/FAS JULY 9.

2. BOFT REPORTS L/C'S FOR 10,000 BALES PERIODS ONE
AND TWO HAD BEEN OPENED AS OF JULY 8.

3. BOFT AND TEXTILE MILLS HAVE NOT REACHED AGREEMENT
ON PROCEDURE FOR OPENING OF L/C'S BY MILLS WHO CONTRACTED
MORE COTTON THAN THEY CAN RECEIVE IN THE SHORT DELIVERY
PERIOD ALLOWED UNDER THE AGREED SHIPPING SCHEDULE.
BENJAMIN LU, BOFT, ASSURED AGATT JULY 7 THAT DECISION
ON PROBLEM MILLS WILL BE REACHED THIS WEEK AND THAT
Y.T. WANG (WANG I-TING) WILL INFORM EMBASSY OF DECISION
REACHED BY JULY 11. MEANTIME, OTHER MILLS WHO ARE
READY TO OPEN L/C'S ARE HOLDING ACK UNTIL BOFT AND
PROBLEM MILLS REACH AGREEMENT.

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PAGE 02 TAIPEI 04115 090834Z

4. IT IS NOW CLEAR THAT THE SCHEDULE FOR OPENING
LF L/C'S IN PERIOD ONE AND TWO WILL NOT BE MET. THE
MEASURES TAKEN SO FAR BY THE BOFT HAVE NOT BEEN SUFFICIENT
TO PRODUCE THE DESIRED RESULTS. THE WITHHOLDING
OF IMPORT LICENSES IS EFFECTIVE FOR THE PRESENT ONLY
IF THE MILL IS IN IMMEDIATE NEED OF RAW COTTON. SOME
MILLS HAVE SUFFICIENT RAW COTTON FOR 6 MONTHS OPERATION AND
WILL NOT BE AFFECTED BY AN IMPORT LICENSE BAN DURING
THE AGREED PERIOD FOR OPEING ALL L/C'S FOR U.S.
CONTRACTED COTTON.

5. WE ARE HOPEFUL THAT THE BOFT WILL COME FORWARD LATER
THIS WEEK WITH AN ACCEPTABLE PLAN FOR MEETING THE
COMMITMENTS FOR CONTRACTED U.S. COTTON. IN THE EVENT
THAT SUCH A PLAN IS NOT FORTHCOMING, WE WILL URGE THE
BOFT TO TAKE STRONGER MEASURES WHICH WILL HAE A MORE
IMMEDIATE IMPACT UPON TEXTILE MILL OPEATIONS.

UNGER

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